1- Document Objective

To share and discuss, with Brown Williamson and Souza Cruz, how BATCo. would like to run the South American business in the future and the implementation of the plan of action necessary.

2- Definition Of Responsibilities

It is crucial to discuss and agree upon accountabilities for the Responsible Company and the Brand Owner. The Minutes of the Project Stein Meeting held in Windsor House on 27th October 1993 can be used as a starting point:

"Minute #

10 Cuba will be looked after by Brazil.

11 The team under Keith Dunt is responsible for the end-markets in South America with the exception of Mexico, Brazil, Cuba and Northern Caribbean/ Puerto Rico."

2.1-Responsible Company

This should be the same as an Operating Company in its individual market, e.g. Volume, market share, price, brand portfolio, marketing mix and bottom line.

APRIL 1st '94

However, in order to minimise the downside of the transition period, full market responsibility should take place by ~~January 1st,~~ 1995. At this time, the Responsible Company will be accountable for the bottom line, which implies the management of volume, bought in cost, pricing, brand mix investment, and selling expenses.

The Responsible Company has the right to veto brand launches.

The Responsible Company will be in charge of the placement and management of all ATL and BTL activities which have been agreed upon with the Brand Owner.

The adaptations of materials, if any, for each specific market requirement will be handled locally in line with Brand Owners' guidelines (manuals, colour coding, etc.)

The Responsible Company will co-ordinate, with the Brand Owners, the sourcing of BTL materials with the objectives of maximizing economy of scale and guaranteeing quality.

The interface between Brand Owner and Distributor/Importer will be made by the Responsible Company.

Volume forecasting and cigarettes shipments/orders will be placed by the Responsible Company to the Brand Owner.

The Responsible Company will be in charge of providing the market reports.

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2.2-Brand Owner

The Brand Owner will provide guidelines in order to guarantee brand integrity and consistency within the region, e.g. price positioning and brand imagery.

The development of all materials for ATL and BTL activities will be supplied by the Brand Owner.

The Brand Owner will co-ordinate the cigarette production and shipments under the Responsible Company's instructions.

2.3-Proposed Accountabilities Transition Period

The first step of this transition is to review each individual plan by market and write up the agreed Operational Plan for 1994. The objective is to have a single strategy for the region based upon the agreed BAT Industries' brand portfolio, which should be in line with market trends. The right level of support behind these brands and markets should be carefully reviewed.

The Responsible Company will co-ordinate, (~~1Q/2Q~~ 1st 1/4 94), the transition of the market management from the Brand Owner. When the operational plans have been agreed upon by the respective parties and staffing is in place, the Responsible Company will start the interface between the market and Brand Owners.

	Brand Owner			Responsible Company	
Areas	Actual	1994	1995 onwards	1994	1995 onwards
Company Plan	B.O.	B.O. + R.C.		B.O + R.C. end Q1	R.C.
Volume	B.O.			R.C. end Q1	R.C.
Pricing	B.O.			R.C.	R.C.
Bottom Line	B.O.	B.O.			R.C.
Brand Investment (Funds)	B.O.	B.O. + R.C.		B.O + R.C.	R.C.
Brand Management (guidelines)	B.O	B.O.	B.O.		
Invoicing (end mkt.)	B.O.	B.O + R.C.			R.C.
Shipping (under R.C. instructions)	B.O.			R.C. start Q2	B.O. / R.C.
Importer/Distributor contact	B.O.			R.C. end Q1	R.C.
Market reports	B.O.			R.C. start Q2	R.C.
Overseas Staff	B.O.			R.C. end Q1	R.C.

3- BAT Industries Current Brand Portfolio

Price	Premium	Medium	Low
Brands	Kent Lucky Strike Kool Pall Mall ~~New Port~~ New Port	Hollywood Belmont Advance Free KS Free Slims Hilton, Belmont 100s Plaza Slims	Viceroy Minister Ritz KS Ritz 100 Arizona Continental HL

4/n.

4/n.

3.1- Proposed BAT Industries Future Drive Brand Portfolio.

The objective is to be competitive and focus on the marketplace by allocating the right level of resources behind a limited number of brands across the region.

Price	Premium	Medium	Low
Brands	Kent Lucky Strike Kool	Hollywood Belmont Free	Viceroy Minister Continental

keep

Limited to Colombia

Brands like Pall Mall, New Port, Hilton, Advance, Ritz, Plaza, Arizona and Continental should be kept in the marketplace and the future of these brands within the portfolio should be reviewed.

Under the project Remark and the Latin America/ Caribbean RBU initiatives, a trademark survey in the region is underway. The objective of this study is to update BAT's current trademarks and to take immediate action to guarantee the Group trademark registrations.

After analyzing BAT's current trademark availability in the region, further discussion should take place in order to define back up brands (low price) for future use, either to react to the competition or to market trends.

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4- Distribution Channels

Market		B&WIT	Souza Cruz	BATCo.	Future
Colombia	DP	Restrepo	Trops		TKOPI/Restrepo?
	DNP	Romar/Giovannex	Romar/J. Vegas Giovanex	Romar	Romar/Giovannex
Panama		Giovanex	Giovannex	TISA/Romar	Giovannex and Romar
Suriname	DP		Icomtrade	Icomtrade	Icomtrade
	DNP		Icomtrade	Icomtrade	Icomtrade
Guyana	DP		n.a.	Demerara	Demerara
	DNP		Icomtrade	Icomtrade	Icomtrade
Ecuador	DP				?
	DNP			TISA/Molta/Segovia	?
Peru	DP	Peru Tabaco	Peru Tabaco	Peru Tabaco	Peru Tabaco
	DNP	General Supply	Extralan	G. Supply/Extralan	Extralan
Bolivia	DP	Marinho	Marinho	Marinho	Marinho
	DNP	General Supply	Marinho/Extralan	G. Supply/Extralan	Extralan
Paraguay	DP	Saba	n.a.	Gloria/ Saba	Saba
	DNP	n.a.	Santimar	n.a.	Santimar
Uruguay	DP	Republicana	n.a.	Republicana	to be reviewed
	DNP	Diltox	Extralan	Walinx	Extralan ?
Iquique		General Supply	Extralan	G.Supply/Extralan	Extralan
P. Arenas		Jacqueline Int'l	Jacqueline Int'l	Jacqueline Int'l	Jacqueline Int'l

Due to the sensitivity, management, and co-ordination of the DNP business, all brands should be concentrated on one operator per channel.

In the DP operations, further analysis should be carried out to evaluate the pros and cons of having competition amongst distributors. Colombia is a good example whereby Souza Cruz had to develop another distributor after the local manufacurer imposed limitations on the B&W importer, Restrepo.

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5- Border Trade

There should be complete clarification in the co-ordination and management of the D.N.P.. It is well known that this type of business has much more impact on the domestic markets, nevertheless, the Responsible Company should be accountable for the management of the channel.

Due to the importance of this business in the region, we propose that a "Border Trading Group" be formed to monitor and take decisions, when appropriate, to protect BAT Industries' interests. It is recommended that there be one member from Souza Cruz, one from Nobleza Piccardo, and one from BATCo.

6- Trade Terms

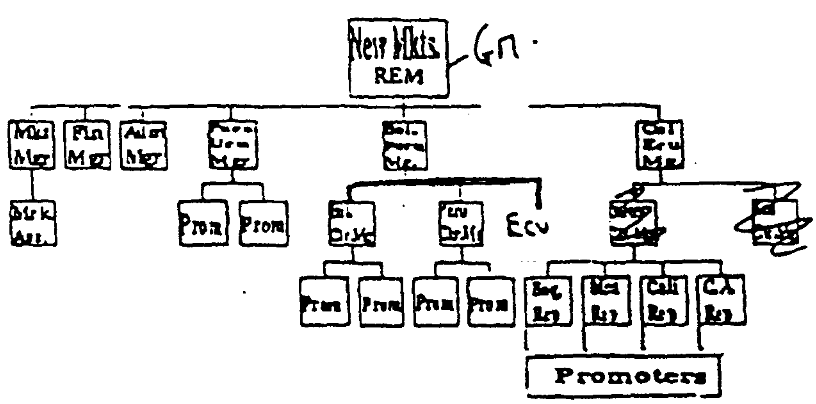
BATCo. would like to harmonize all trade terms, e.g. margins and credit terms.

The importer / distributor agreement, when applicable, should be reviewed in order to have the same approach, e.g. performance related.

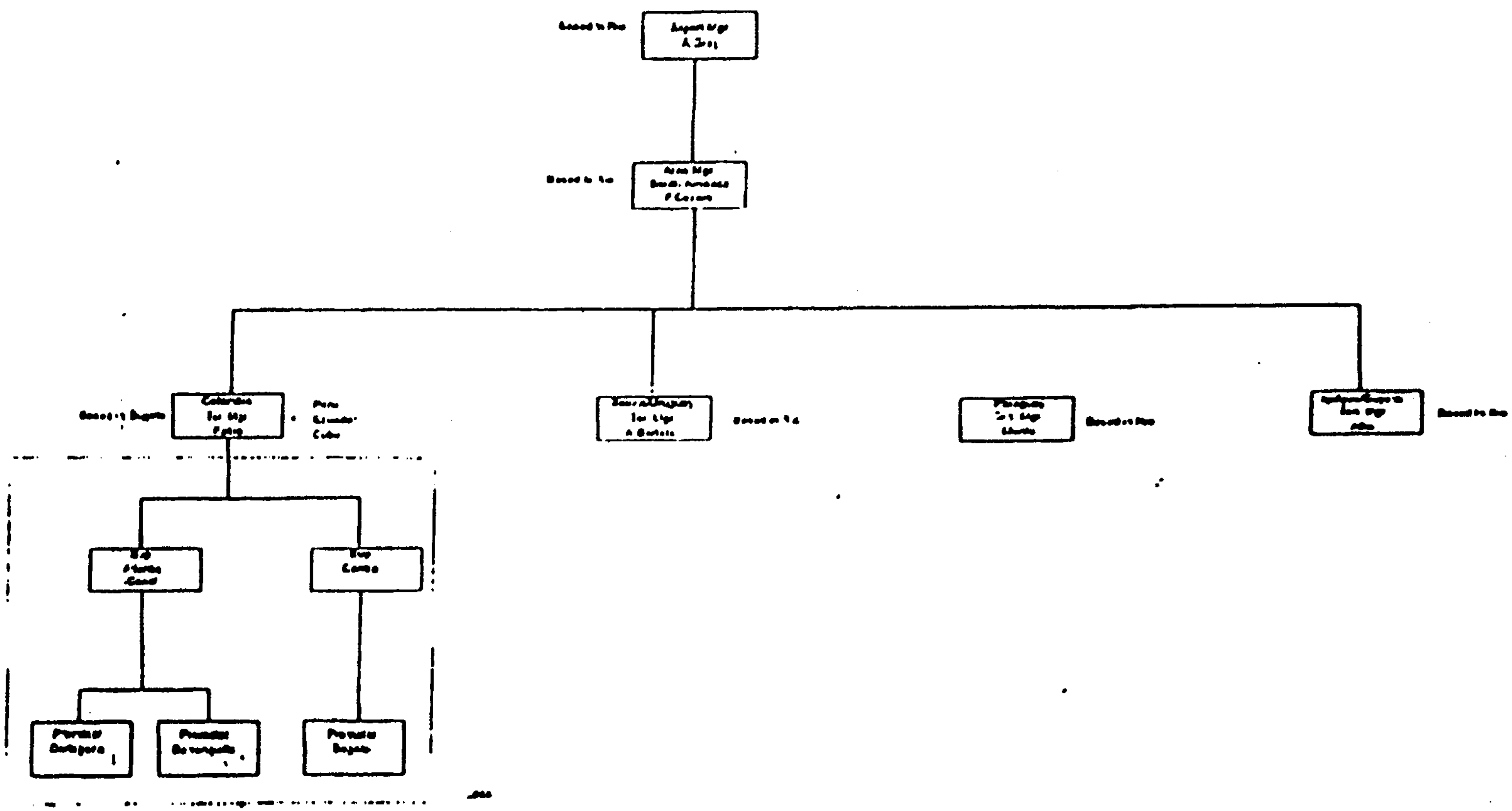
7- Proposed Structure

Proposed Structure

New Domestic Markets



Souza Cruz
South America Region



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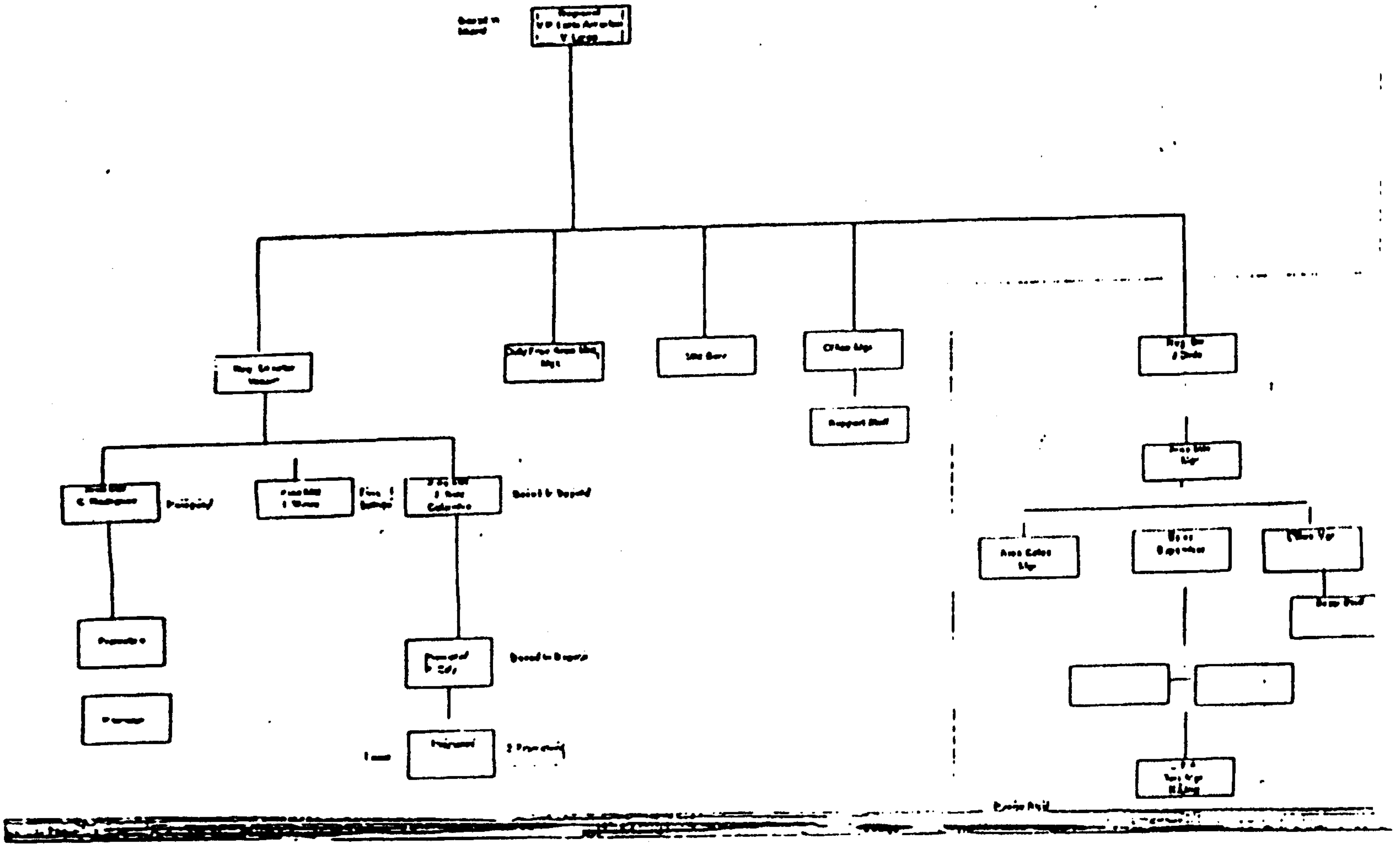
B&WIT
South America



LATIN AMERICA RBU EXPORTS

NOTES FROM COPLAN PRESENTATIONS

Present - C. Beyer, A. Boyce, R. Brentnall, K.S. Dunt, C Figueiredo, D A. Holland, K. Ling, K. Marriott, N. Pope, J. Santamaria, C Smith-Langridge, M. Waterfield

Kevin: Have we done the 2 & H Brand Plan?
N

DAY ONE - 1 SEPTEMBER 1993

		Accountability	Timing
1.	**US DOMESTIC**		
-	Age profile, consumer profile, in general needs to be checked for 555 (more research?)	CSL	Q 3/4 '93
-	Discussion reference how to communicate the product benefit (smoothness). Issue of use of local languages - International imagerys local consumer requirements for understanding message. CSL to take up with IBG - clarification of guidelines.	CSL	Sept
-	Further analysis of targeting M/Merch. spend required.	ALL	Sept
-	L3 Information, Brown & Williamson and other companies end consumer/market sales information could help in identifying areas of potential (KL to progress).	KL	Sept/Oct
-	200's outer damage to apply tax stamps to be clarified with DB in Staines. EO'S to seek solution ASAP.	EO'S/KDM /CF	Sept
-	Ref White Label: BIT/BAT letter exchange must take place recording our requirements to the distributor - i.e. creation of the necessary "legal cover" for BAT should we wish to review our trading arrangements for the USA.	DB/CF	Immediate + ongoing
-	Discussion that tactical price reduction vs White Label may have to be almost a permanent margin reduction exercise to be certain that White Label stops. Legal routes should be fully exploited to stop the WL if possible.	ALL	Immediate + ongoing
-	KL awaiting report from BIT on expanded distribution - to be relayed to Staines.	KL	quarter base
-	It was agreed that recruitment of the reps be brought forward for implementation ASAP.	RB/KL/CF	Immediate

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-	ATL/BTL (60/40%) split on M/Merch questioned - review required to provide split more in line with guidelines OR to provide suitable rationale for different split (KL, CSL, RB) to provide review to MW ASAP	KL/CSL /RB/CF	Immediate - Oct
-	Financials for all years (pre and during Plan) to include White Label - as memorandum information. NP to progress. M/Merch (ATL/BTL) to be expressed as a percentage of NTO (including White Label). NP to progress.	NP/Another /DH	Immediate
-	Challenging targets need to be set for BIT and these, and other requirements/objectives BAT have, should be set out on paper and communicated to BIT formally.	CF/RB/KL	November '94
-	Duty Free: Acquire copy of H. Wintermans contract with Alexander Dunn as model for BATCO's if B&W negotiations do not succeed. KL/DB to produce paper for review in Staines. The ludicrous current arrangements must be changed urgently. (First step 10% invoice price).	RB/KL/CF	Sept/Oct
-	Cuba: liaise with Souza Cruz over access to hard currency shops entry for 555 and Belmont. (Verify trademark situation with R Cooper). Go ahead with current plans after this - especially the incorporation of Venezuelan sourced Belmont.	CF	Q4'93

2. <u>CARIBBEAN</u>

-	Major image reconstruction exercise to be undertaken - need to <u>own</u> the islands for B&H. (Big Brand approach)	ALL	Ongoing
-	KSD trip to Caribbean in December to be arranged.	CF	Sept/Oct
-	Discussion ref B&W brands - progressing suggestions that BATCO take over management for the Caribbean.	CF/MW/KDM	Ongoing
-	555 10's to be withdrawn throughout area (removal of Barbados factor). BHLM to be withdrawn also (throughout the region). Volume to be transferred to 555 20's and B&H KS/100's, B&H International (Twin 10's) suggested for future development. (Note to Brand Group - KM).	CF/RB/KDM	Ongoing Immediate
-	Antigua and St. Lucia - all spend on B&H, SE Int. placement showcase only.555 to decline slowly. B&H to replace.	CF/RB/CSL	Ongoing
-	Seek ways by in trade promotion/pricing incentives / other initiatives to replace 555 GT with BHSF. (St Maarten).	RB/CF	Ongoing
-	ATL/BTL Split to be reviewed (CSL/RB) for BHSF. Total spend "could be increased" £100,000 - early advise please on split at higher and lower spend levels.	CF/RB/CSL	Immediate - Oct

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MW/KM to review regional brand strategies for Caribbean (BATCO Exports & OpCo's). Initial papers to be prepared by KM/DD of WITCO Du Maurier mid price (also French Caribbean), to be researched along with PGL.	MW/KDM/DD	Q4'93
Discussion ref. St. Maarten distributor - if BATCO manage B&W brands we should attempt to make the distributor the BAT Group distributor (i.e. dropping RJR brands). Also need to evaluate the B&W distributor (who has America Brands distributorship also).	CF/RB	Ongoing
Evaluate B&H 10's launch in St. Maarten.	CF/RB/CSL	Ongoing - Oct
Re-evaluate JPS' probable withdrawal to be reviewed. (CSL/RB - represent to CF/MW).	CSL/RB /CF/MW	Ongoing - Oct
Review spend levels St. Maarten and Bahamas - need to be higher vs PMI (St. Maarten). Bahamas - need to set up alternative GT routes. RB to progress	RB/CF/CSL	Ongoing - Oct
Plan required to ensure merchandisers are properly trained (KSD requirement that these be included in Plan).	RB	Sept/Oct
555 promotion for ST. Maarten - cancel. Increase spend (possibly disproportionately to increase in volume) for BHSF.	RB/CSL	Sept/Oct
All distributors throughout area (/whole RBU) need to have written performance targets/objectives to be referred to throughout the plan period. Proposed targets to be reviewed by KSD before year end.	CF/RB	Yr End '93
French Guyana and Guadeloupe - situation ref outdoor and vans to be reviewed within 3 month time limit discussed. (Competition initiatives)	CF/RB/CSL	Yr End
Check Du Maurier ownership - alternative launch instead. PGL to be considered. (Check Belmont also).	CSL	Sept
Price positioning vs Peter Stuyvesant - same or below - review.	CF/CSL/ RB/KDM	Sept/Oct
Paper on French Guyana to be submitted to KSD. (RB to CF then onto KSD). Need to greatly improve on plans for overall French Caribbean.	RB/CF/CSL	Sept/Oct
TMD by PMI/competition but not BAT - anything possible?	CSL	Sept/Oct
Review potential of pan regional sponsorship of music i.e. Golden Tones (Nigeria) Dub music important - to be considered (AB, RB, CSL to prepare suggestions/plans for CF/MW to approve).	AB/RB/CSL	Sept/Oct

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•	CSL to review media plans. TV ex St. Lucia to be upweighted if possible. Also look at radio sponsorship.	CSL	Sept/Oct
•	Relaunch BH Lights - YAUS Activity Program.	CSL/	Ongoing
•	B&H Brand Group (David Fell) to review with RBU final B&H brand plan, and indeed to assist in construction and planning.	MW/CSL/ KDM/CF/RB	Ongoing

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DAY TWO - 2ND SEPTEMBER 1993

	Accountability	Timing
• Support to set up a team to develop the second brand for Andean Pact. Initial search for trademarks, Casino, Sherif, Montana, Albany - all mentioned.	CF/[redacted]/CB	Oct
• KSD requires the plans for UKIB's to be reviewed and represented	CF/CB	Sept/Oct

1. COLOMBIA

	Accountability	Timing
• KSD view that the DP volume overall will decline faster than we presented within the present political scenario.		
• Trademark for Casino should be checked for Colombia and Ecuador also Montana. Ideally reserve brand (in case of Belmont loss) should be owned throughout Andean Pact.	CSL/EO'S	Sept
• Check legal position ref. Consul (V Consulate TEI) could negotiate with TEI?	CSL/EO'S	Sept
• KDM to arrange to receive Brazil domestic brand board pricing regularly	KDM	Sept
• CSL to organise to source suitable packs for research (name and pack only) on the reserve brand potentials - research amongst Colombian consumers.	CSL	Immediate
• KSD requirement to thoroughly review Romar's profit and our trading terms and conditions with them. Need to meet B&W and Souza Cruz to standardise BAT group terms and conditions.	CF/Finance	Immediate
• It was noted that Romar now make a 20% contribution to M/Merch spending. KSD requested that Bigott be involved in the review of Romar's business performance to be prepared for 1st quarter 1994.	CF	Immediate
• CF/CB to clarify production capacity issue with Bigott in view, especially, of lead times. (7 day working to be resolved prior to approval of new machinery - CF to mention on imminent visit).	CF/CB	Immediate/ Ongoing
• Agreed to market test 10's Belmont. Need to agree the protocol of test and agree with Bigott the programme for development to readiness. CB to progress. (Major impact on Bigott's capacity is a concern and needs consideration in any final national roll-out decision).	CF/CB	Immediate/ Ongoing
• 200's outer issue to be raised with Bigott. Pack change would be explained prior to change with inserts. Could test in other markets. CF/CB to review.	CF/CB	Immediate

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-	New initiatives should have timing plan included in Plan	ALL	Sept/Oct
-	CPT should be done via third party - Romar. Clear requirement for team to review legal position carefully before any activity is commenced. Must be prepared to fight any potential action by PMI.	ALL	Ongoing
-	No final agreement on the DP umbrella (whether 555 or Casino or other second brand alternative).	CF	Sept/Oct
-	Casino (or alternative) launch to be developed for June 1994. CB to progress for agreement before end 1993	CF/CB	Yr End
-	MW/CF to agree structure of management for Bigott exports.	MW/CF	Q3/4 '93
-	Belmont TMD to be cleared "at the highest level". Go-ahead only up to state of readiness. CF/CB to update Bigott activity. Chinese Wall emphasised.	CF/CB/MW	Sept/Oct
-	New brands, Volume and CTA to be included in Plan from June 1994	ALL	Sept/Oct
-	Trade promotion - Bigott to ensure audit control system for case re-purchase scheme.	CF/CB	Sept/Oct
-	Spend on TMD to be "graduated" assuming OK to go ahead from legal. Colombia plan will be reviewed in London.	CSL/CF	Sept/Oct
-	1993 Volumes/Financials need to be reviewed to include LASU/Bigott figures, therefore, comparing Plan and 1993 on same basis.	CF/Finance	Oct

2. <u>PARAGUAY</u>

-	KSD note to M de Castro-Souza Cruz requesting no exports to any country of Souza Cruz Derby. Note to include BATCO undertaking to limit DP with Saba for Paraguay domestic market, in order to contain impact on Bo and thereby not to prejudice SC trademark recuperation programme.	KSD/MW/CF	Immediate
-	Need to agree launch programme for Derby 100 and 84 mm with GM. N.Piccardo. One delivery level (Suaves) by 1st October.	CF/CB	Sept/Oct
-	Jockey Club in Plan for 1st quarter 1994.	CF/CB	Q4 '93
-	Need to review Volume figures. KSD/MW believe higher volume potential exists.	CF	Immediate
	Volumes in CoPlan should be at least 600 million and 500 million Argentina/Brazil respectively.	CF	Sept/Oct

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•	CTA volumes to be reviewed (CTA for Paraguay in Brazil may be negatively affected by lower prices in Brazil DP and lower NDP pricing)	CF	Sept/Oct
•	Use argument of positive effect on N Piccardo cash flow and defence of domestic Derby consumer franchise as principal elements in argument to achieve agreement to selling price to BATCO (LASL).	CF	Sept/Oct
3.	PERU		
•	Discussion reference stupidity of BAT Group approach to Peru - more frequent communication suggested. Need to agree with Souza Cruz and B&W to delay launches of Hollywood and Kent to early 1994.	CF	Sept/Oct
•	Discussion of Belmont Soft Cup. Brand to be prepared to readiness for decision on launch to be taken after launch of box version	CF/CSL	2Q/94
	10's SLSC Advance should not go ahead. Mid 1994 a review of the Advance portfolio must be carried out.	CF/MW /CSL/CB	Q4 '93
•	Urgent review of sales/distribution system to be carried out by CB Need to address issue of wholesaler distribution (70% of Hamilton business) Potential use of sales force as a top up/merchandising force to be reviewed. Suggestion that Manuel Añel to be consulted - and invited to visit (MEW to organise).	MEW/CSL	Sept/Oct
-	Astor sales protection exercise to go ahead ASAP.	CF	Q4 '93
4.	OTHERS		
-	Second brand (reserve) to be further considered for Bolivia.	CF/CB	Sept/Oct
-	Ecuador GT Panama only for the moment.	CF/CB	Ongoing
-	UKIB's to be reviewed subject to confirmation of potential 555 blended (MW to progress with Brand Group). Discussion of volume chasing exercise vs REAL contribution for that business. Need further discussion with MW/CF/KSD	KSD/MW/CF	Sept/Oct
-	Agreed Romar to set up in Panama, Belmont only, for West Coast of Colombia. B&W to be advised, and advise Pengelli before Romar are informed.	CF	Sept/Oct

KM/sb-95
15 September 1993